

DEC 31 2019

BEFORE THE DEPARTMENT OF INSURANCE
STATE OF NEBRASKA

FILED

IN THE MATTER OF THE
ACQUISITION OF
WELLCARE OF NEBRASKA, INC.

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ORDER

CAUSE NO. C-2555

On October 7, 2019, Anthem, Inc. (“Anthem”) and ATH Holding Company, LLC (“ATH”, and together with Anthem, “Applicants”) filed an application (“Form A”) seeking approval to acquire control of WellCare of Nebraska, Inc. (“WellCare NE”), a Nebraska domestic health maintenance organization. The application was filed, and supplemented, pursuant to the Nebraska Insurance Holding Company System Act, Neb. Rev. Stat. §§ 44-2120 to 44-2155 (the “Act”), with supplements being received on December 3, 2019 and December 7, 2019. Notice of the public hearing was issued on December 10, 2019.

On December 30, 2019, a public hearing was held at the Nebraska Department of Insurance (the “Department”). Director of the Department, Bruce R. Ramage presided over the hearing. Jane Malone, a registered professional reporter, was present and recorded the hearing. Matt Holman, Deputy Director and General Counsel, and Lindsay Crawford, Deputy Chief Financial Examiner, represented the Department.

Applicants were present and represented by Jared Danilson and Daniel Lewallen, Faegre Baker Daniels LLP and Derrick Smith, Mitchell, Williams, Selig, Gates and Woodyard, PLLC. Applicants presented testimony in favor of the acquisition through Jonathan Tempel, Senior Associate General Counsel at Anthem, and Greg Thompson, Chief of Staff for the West Region Medicaid for Anthem. WellCare Health Plans, Inc. and WellCare NE were present and represented by Ashlee Knuckey, Locke Lord, LLP. WellCare NE presented testimony in favor of the

acquisition through Chad Piper, Market Vice President at WellCare NE. Exhibits were offered by Applicants, and by the Department, and received into the record. Applicants provided WellCare NE with notice of the hearing on December 10, 2019, in accordance with Neb. Rev. Stat. § 44-2127(2). No other interested parties offered testimony or evidence for the record.

On the basis of the filings, correspondence and information provided to the Department, the Director approves the application and finds, concludes, and recommends as follows:

FINDINGS OF FACT

1. On October 7, 2019, the Department received a verified Form A from Applicants for approval to acquire control of WellCare NE through a Stock Purchase Agreement (the “Purchase Agreement”). The application was filed pursuant to the Act, specifically Neb. Rev. Stat. § 44-2126. The Purchase Agreement would result in Applicants gaining control of WellCare of NE as control is defined in the Act.

2. WellCare NE is a domestic health maintenance organization organized under and governed by the laws of the State of Nebraska. WellCare NE obtained its Certificate of Authority to operate as a health maintenance organization in this state on May 2, 2016. WellCare NE is a direct wholly owned subsidiary of The WellCare Management Group, Inc., a New York corporation (“WellCare”), which is, in turn, a direct wholly owned subsidiary of WCG Health Management, Inc., a Delaware corporation, which is, in turn, a direct wholly owned subsidiary of WellCare Health Plans, Inc., a publicly traded Delaware corporation. WellCare NE is one of three entities currently participating in Nebraska’s Heritage Health Medicaid program through which it provides for the delivery of health benefits and additional services pursuant to a contract with the Nebraska Department of Health and Human Services, Division of Medicaid and Long-Term Care.

3. Anthem is a corporation organized under the laws of Indiana that, through its subsidiaries, owns health benefits companies. The stock of Anthem is publicly traded on the New York Stock Exchange. No person holds more than ten percent ownership of Anthem.

4. ATH is a limited liability company organized under the laws of Indiana in 2004. ATH is and has been a direct wholly owned subsidiary of Anthem since its organization. ATH has no business operations of its own and serves as a holding company for several of Anthem's operating insurance companies and other subsidiaries.

5. Applicants propose to acquire control of WellCare NE pursuant to the terms and conditions of the Purchase Agreement. The transaction will be accomplished by ATH's purchase of 100 shares of common stock of WellCare NE, which constitutes all of the issued and outstanding voting securities of WellCare NE. Pursuant to the terms of the Purchase Agreement, Applicants will pay (a) the Base Nebraska Purchase Price (as set forth in the purchase Agreement) plus (b) an amount equal to WellCare NE's statutory capital and surplus in excess of 200% of WellCare NE's authorized control level risk-based capital (or minus such amount if WellCare NE's statutory capital and surplus is less than 200% of ACL RBC). The purchase price will be funded through cash on hand.

6. Following the consummation of the transaction, WellCare NE will be an indirect wholly-owned subsidiary of Anthem.

7. The proposed acquisition of WellCare NE is subject to, and conditioned on, the closing of the mergers contemplated by that certain Merger Agreement, dated as of March 26, 2019, by and among Centene Corporation ("Centene"), Wellington Merger Sub I, Inc., Wellington Merger Sub II, Inc. and WellCare Health Plans, Inc. (the "Merger Agreement"). The transactions contemplated by the Merger Agreement are subject to the Director's Order, dated August 8, 2019,

approving such transaction subject to certain conditions, including that Centene shall sell WellCare NE's Medicaid business on or prior to the effective date of the proposed merger.

8. The respective boards of directors/managers of the Applicants and WellCare have approved the Purchase Agreement.

9. Pursuant to the Director's Order dated August 8, 2019, the Director retains the right to disapprove the sale of WellCare NE, or all of WellCare NE's Medicaid business, to a third party and cause Centene to seek a different purchaser in the event the Director finds the proposed purchaser is not a reputable and experienced provider of managed care services suitable for inclusion in the Nebraska managed care program or if such purchaser would otherwise be unable to suitably replace WellCare NE in the managed care program. The Director has consulted with the Director of the Division of Medicaid and Long-Term Care at the Nebraska Department of Health and Human Services in making the determination hereunder.

10. Applicants have filed all the documents and information required by law and requested by the Department.

CONCLUSIONS OF LAW

1. The Department and Director have jurisdiction over the subject matter of this proceeding.

2. On the basis of the materials filed, correspondence received, and evidence presented at the hearing, the Director concludes as follows:

- a. After the acquisition, WellCare NE will satisfy the requirements for a Certificate of Authority to operate as a health maintenance organization in the State of Nebraska.
- b. The effect of the acquisition will not substantially lessen the competition in insurance in the State of Nebraska nor tend to create a monopoly therein nor violate the laws of the State of Nebraska.

- c. The financial condition of Applicants is such that it would not jeopardize the financial stability of WellCare NE or prejudice the interests of policyholders of WellCare NE.
- d. Applicants have no plans or proposals to liquidate WellCare NE, to sell the assets of WellCare NE, or to make any other material change in the business operations or corporate structures or management which would be unfair and unreasonable to policyholders of WellCare NE and not in the public interest.
- e. The competence, experience and integrity of those persons who would control the operation of WellCare NE are such that it would be in the interest of the policyholder of WellCare NE and the public to allow the acquisition.
- f. Applicants are not subject to the provisions of Neb. Rev. Stat. § 44-6115 under the Demutualization Act; and
- g. The acquisition of control is not likely to be hazardous or prejudicial to the public.

ORDER

IT IS THEREFORE ORDERED that the Form A Application be approved subject to the following condition:

Within fifteen (15) days after the end of the month in which the transaction closes, Applicants shall cause to be filed with the Department an Insurance Holding Company System Registration Statement, and any other filings required, in accordance with Neb. Rev. Stat. § 44-2132, et seq.

Dated this 31 day of December, 2019.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE



Bruce R. Ramage
Director of Insurance

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Order was sent to Jay H. Wagner, Anthem, Inc., 220 Virginia Ave., Indianapolis, IN 46204; Jared R. Danilson, Faegre Baker Daniels LLP, 300 North Meridian St., Suite 2500, Indianapolis, IN 46204; and to Jason D. Kimpel, Faegre Baker Daniels LLP, 300 North Meridian St., Suite 2500, Indianapolis, IN 46204, by U.S. Mail, postage prepaid, on this 31st day of December, 2019.

Shelley Storie